

TOWN OF LEEDS
FINANCIAL STATEMENTS
with
ACCOUNTANT'S REVIEW REPORT
TWELVE MONTH PERIOD ENDING
JUNE 30, 2006

TOWN OF LEEDS

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Wilson & Company

Certified Public Accountants / A Professional Corporation

Town of Leeds
Leeds, Utah 84746

We have reviewed the accompanying financial statements of the Town of Leeds as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Leeds.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
January 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of the Town of Leeds (the Town) financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

Financial Highlights

The assets of the Town exceeded its liabilities as of the close of the most recent year by \$638,524 (*net assets*). Of this amount, \$188,693 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town's total net assets increased by \$54,601. The expenditures exceeded revenues and the adopted budgeted amounts for expenditures exceeded the actual expenditure amounts.

At the close of the current year, the Town's government funds reported an ending fund balance of \$261,777, a decrease of \$25,687 in comparison with the prior year. Of this total amount, \$188,693 is available for spending at the government's discretion (*unreserved fund balance*).

The Town's total long-term debt decreased by \$1,893 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, public works, sanitation, and parks and recreation.

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Leeds, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Leeds maintains one governmental fund – the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The Town adopts an annual appropriated budget for its governmental fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary funds

The Town currently does not have a proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$638,524 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (59 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available

for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town of Leeds Net Assets

| | Governmental Activities | |
|--------------------------------------|-------------------------|---------|
| | 2006 | 2005 |
| Current & other assets | 357,836 | 471,155 |
| Capital assets | 376,747 | 297,089 |
| Total assets | 734,583 | 768,244 |
| Long-term Liabilities outstanding | 73,331 | 72,818 |
| Other liabilities | 22,728 | 111,503 |
| Total liabilities | 96,059 | 184,321 |
| Net assets: | | |
| Invested in cap. assets, net of debt | 376,747 | 297,089 |
| Restricted | 73,084 | 127,577 |
| Unrestricted | 188,693 | 159,257 |
| Total net assets | 638,524 | 583,923 |

Changes in the Town of Leeds Capital Assets

| | Governmental Activities | |
|------------------------|-------------------------|---------|
| | 2006 | 2005 |
| Net capital assets | | |
| Land & easements | 92,006 | 92,006 |
| Buildings | 23,589 | 27,274 |
| Other improvements | 92,995 | 92,215 |
| Furniture & equipment | 27,345 | 31,554 |
| Infrastructure | 140,812 | 54,040 |
| Increase in net assets | 376,747 | 297,089 |

Changes in the Town of Leeds Net Assets

| | Governmental Activities | |
|------------------------------------|-------------------------|----------------|
| | 2006 | 2005 |
| Revenues: | | |
| Program revenues | | |
| Charges for services | 99,361 | 106,418 |
| Operating grants and contributions | 28,793 | 36,799 |
| Capital grants and contributions | 14,000 | - |
| General revenues | | |
| Property taxes | 45,625 | 42,200 |
| General sales and use taxes | 73,807 | 45,878 |
| Franchise taxes | 2,338 | 3,763 |
| Earnings on investments | 20,064 | 8,378 |
| Total revenues | <u>283,988</u> | <u>243,436</u> |
| Expenses: | | |
| General government | 131,637 | 93,117 |
| Public Safety | 20,444 | 20,632 |
| Public works | 20,651 | 29,468 |
| Sanitation | 30,702 | 29,330 |
| Cultural & recreation | 19,789 | 13,142 |
| Cemetery | 1,920 | 845 |
| Interest on long-term debt | 4,244 | - |
| Total expenses | <u>229,387</u> | <u>186,534</u> |
| Increase in net assets | <u>54,601</u> | <u>56,902</u> |

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current year, unreserved fund balance of the general fund was \$145,935, which is the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$120,511 can be briefly summarized as follows:

- \$49,461 increase in general government
- \$1,200 increase in public safety - Police
- \$19,150 increase in public works - parks
- \$700 decrease in public works – parks construction
- \$7,300 increase in public works - streets
- \$38,900 increase in public works – street construction
- \$4,100 increase in sanitation
- \$1,100 increase in cemetery

During the year actual revenues were less than budgeted revenues by \$25,687, and actual expenditures were less than budgeted expenditures by \$19,304.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$376,747 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings and equipment.

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, the Town's had total debt outstanding of \$73,331. The debt represents bonds issued to finance water and sewer projects in prior years.

Additional information on the Town's long-term debt can be found in the notes of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Leeds, P. O. Box 460879, Leeds, Utah, 84746.

TOWN OF LEEDS
Statement of Net Assets
June 30, 2006

| | <u>Governmental Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------|
| Assets: | | |
| Current assets: | | |
| Cash & cash equivalents | \$ 282,124 | \$ 282,124 |
| Accounts receivable | 2,381 | 2,381 |
| Lease receivable | 73,331 | 73,331 |
| Capital assets, net of accumulated depreciation | <u>376,747</u> | <u>376,747</u> |
| Total assets | <u>734,583</u> | <u>734,583</u> |
| Liabilities and Net Assets | | |
| Liabilities : | | |
| Cash with negative balance | \$ 14,379 | 14,379 |
| Accounts payable | 4,723 | 4,723 |
| Accrued liabilities | 3,626 | 3,626 |
| Bonds payable | | - |
| Portion due within one year | 2,394 | 2,394 |
| Portion due after one year | <u>70,937</u> | <u>70,937</u> |
| Total liabilities | <u>96,059</u> | <u>81,680</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 376,747 | 376,747 |
| Restricted for: | | |
| Impact fees, B&C road funds | 73,084 | 73,084 |
| Unrestricted | <u>188,693</u> | <u>188,693</u> |
| Total net assets | <u>\$ 638,524</u> | <u>\$ 638,524</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF LEEDS
Statement of Activities
Year Ended June 30, 2006

| Functions | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--------------------------------|------------|-------------------------|--|--|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government | \$ 131,637 | \$ 51,273 | \$ 6,181 | \$ - | \$ (74,183) |
| Public safety | 20,444 | 6,458 | - | 6,500 | (7,486) |
| Public works | 20,651 | - | 20,130 | - | (521) |
| Sanitation | 30,702 | 36,879 | - | - | 6,177 |
| Parks & recreation | 19,789 | 373 | 2,482 | 7,500 | (9,434) |
| Cemetery | 1,920 | 4,378 | - | - | 2,458 |
| Interest on long-term debt | 4,244 | - | - | - | (4,244) |
| Total governmental activities | 229,387 | 99,361 | 28,793 | 14,000 | (87,233) |
| Business-type activities: | | | | | |
| None | - | - | - | - | - |
| Total business-type activities | - | - | - | - | - |
| Total government | \$ 229,387 | \$ 99,361 | \$ 28,793 | \$ 14,000 | \$ (87,233) |

General revenues:

| | |
|--------------------------------------|----------------|
| Taxes: | |
| Property taxes | 45,625 |
| General sales and use taxes | 73,807 |
| Franchise taxes | 2,337 |
| Earnings on investments | 20,065 |
| Total general revenues and transfers | <u>141,834</u> |
| Increase in net assets | 54,601 |
| Net assets - beginning | <u>583,923</u> |
| Net assets - ending | <u>638,524</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF LEEDS
Balance Sheet
Governmental Funds
June 30, 2006

| | <u>General</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-------------------|---|
| Assets: | | |
| Cash & cash equivalents | \$ 282,124 | \$ 282,124 |
| Accounts receivable | 2,381 | 2,381 |
| Net investment in capital lease | 73,331 | 73,331 |
| Total assets | <u>\$ 357,836</u> | <u>\$ 357,836</u> |
| Liabilities: | | |
| Cash with negative balance | \$ 14,379 | \$ 14,379 |
| Accounts payable | 4,723 | 4,723 |
| Accrued liabilities | 3,626 | 3,626 |
| Deferred revenue | 73,331 | 73,331 |
| Total liabilities | <u>96,059</u> | <u>96,059</u> |
| Fund balances: | | |
| Reserved | 73,084 | 73,084 |
| Unreserved, undesignated | 188,693 | 188,693 |
| Total fund balances | <u>261,777</u> | <u>261,777</u> |
| Total liabilities and fund balances | <u>\$ 357,836</u> | <u>\$ 357,836</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF LEEDS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--|--------------------------|
| Total fund balance - governmental funds | \$ 261,777 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,064,900 and the accumulated depreciation is \$688,153. | 376,747 |
| Long-term liabilities, including bonds payable, are not financial resources and, therefore, are not reported in the funds | (73,331) |
| Deferred revenue balances from prior periods | 73,331 |
| Total net assets - governmental activities | <u><u>\$ 638,524</u></u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF LEEDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

| | General | Total Governmental Funds |
|--|-------------------|--------------------------------|
| REVENUES: | | |
| Property taxes | \$ 45,625 | \$ 45,625 |
| Sales and use taxes | 73,807 | 73,807 |
| Franchise taxes | 2,338 | 2,338 |
| Licenses and permits | 46,170 | 46,170 |
| Lease income | 6,181 | 6,181 |
| Interest earnings | 16,279 | 16,279 |
| Fines & forfeitures | 2,333 | 2,333 |
| Solid waste services | 36,876 | 36,876 |
| Impact fees | 14,000 | 14,000 |
| Cemetery | 4,378 | 4,378 |
| Donations and other revenues | 13,948 | 13,948 |
| Liquor fund allotment | 836 | 836 |
| "C" road revenue | 20,130 | 20,130 |
| Total revenues | <u>282,901</u> | <u>282,901</u> |
| EXPENDITURES: | | |
| General government | | |
| Professional fees | 29,695 | 29,695 |
| Building inspection | 13,426 | 13,426 |
| Elections | 1,730 | 1,730 |
| Liability insurance | 9,992 | 9,992 |
| Legislative | 3,515 | 3,515 |
| Administration | 67,607 | 67,607 |
| Planning & zoning | 568 | 568 |
| Total general government | <u>126,533</u> | <u>126,533</u> |
| Public safety - police | 17,705 | 17,705 |
| Public works - parks | 16,937 | 16,937 |
| Public works - parks construction | 7,764 | 7,764 |
| Public works - streets | 9,506 | 9,506 |
| Public works - street construction | 91,340 | 91,340 |
| Sanitation | 30,702 | 30,702 |
| Cemetery | 1,920 | 1,920 |
| Debt service | 6,181 | 6,181 |
| Total expenditures | <u>308,588</u> | <u>308,588</u> |
| Excess of revenues over (under) expenditures | <u>(25,687)</u> | <u>(25,687)</u> |
| FUND BALANCES JULY 1 | <u>287,464</u> | <u>287,464</u> |
| FUND BALANCES JUNE 30 | <u>\$ 261,777</u> | <u>\$ 261,777</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF LEEDS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|-------------|
| Net change in fund balances-total governmental funds | \$ (25,687) |
|--|-------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|----------|--------|
| | 99,104 | |
| Capital outlays | | |
| Depreciation expense | (19,444) | |
| | | 79,660 |

Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources and interest on long-term debt. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when incurred, regardless of when financial resources are available of expenditures are paid or due.

This adjustment combines the net changes of the following balances:

| | | |
|-----------------------------------|-----|-----|
| Accrued interest on bonds payable | 458 | |
| Other accrued expenses | | 170 |

| | |
|---|-----------|
| Change in net assets of governmental activities | \$ 54,601 |
|---|-----------|

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Leeds, a Utah political subdivision, (the Town) is organized under the laws of the State of Utah. The Town operates under a governing body consisting of a mayor and five council members and provides the following municipal services public safety, public works, culture, recreation, and community development. The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to government units. The following is a summary of the more significant of such policies.

A. Reporting Entity

The Town applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the exercise of special financial relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units have been included in defining the Town's reporting entity and the Town is not a component unit of any other governmental entity.

B. Financial Statement Presentation

The Town has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the Town's financial statements relating to these standards are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net asset presentation.

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

The Town reports its municipal services in a single governmental fund – the general fund. The Town does not currently operate any other fund types. The financial statements of the Town are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

C. Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash equivalents.

D. Capital Assets

Capital assets include property, and plant equipment. Capital assets are defined by the Town as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following useful lives (see Note 5 for further detail).

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40 |
| Infrastructure | 20 |
| Furniture & equipment | 3-10 |

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

E. Operating Revenues and Expenses

The statement of revenues, expenses, and changes in net assets distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as user fees, result from exchange transactions associated with the principal activities of the Town. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Towns principal activities (such as investment income) and from all nonexchange transactions (such as grants).

F. Net Assets

The Town's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the Town's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted - expendable: Restricted expendable net assets include resources which the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted: Unrestricted net assets represent resources derived from user fees and intergovernmental appropriations. These resources are used for transactions relating to the solid waste and television activities of the Town, and may be used at the discretion of the governing board to meet current expenses for any legal purpose.

G. Property Tax

Washington County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year. Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

I. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation, sick leave and compensatory time benefits up to a maximum amount determined by the Town personnel policy. Employees are paid 100% of their accumulated but unused leave when they retire. All vacation is accrued when incurred in the government-wide fund financial statements.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town maintains a cash and investment pool, which includes the cash account and several investments.

The Town's deposit and investment policy is to follow the Utah Money Management Act. However, the Town does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the Town is exposed.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2: CASH AND INVESTMENTS - CONTINUED

As of June 30, 2006, the Town had the following deposits and investments:

| <u>Deposit and investment type</u> | <u>Fair Value</u> |
|------------------------------------|-------------------|
| Cash on deposit | \$ (14,379) |
| State Treasurer's investment pool | <u>282,124</u> |
| | \$ <u>267,745</u> |

Interest rate risk. The Town manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2006 the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit Risk. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006 none of the deposits were exposed to custodial credit risk because it was uninsured or uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

| | |
|--|-------------------|
| Cash on hand and on deposit: | |
| Cash on deposit | \$ (14,379) |
| Utah State Treasurer's investment pool account | <u>282,124</u> |
| Total cash and investments | \$ <u>267,745</u> |

Cash and investments are included in the accompanying combined statement of net assets as follows:

| | |
|-----------------------------|-------------------|
| Cash and cash equivalents | \$ 282,124 |
| Cash with negative balances | (14,379) |
| Total cash and investments | \$ <u>267,745</u> |

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. RISK MANAGEMENT:

The Town is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of Nature, and job related illness or injury. The Town has procured insurance which, in Town's estimation, is adequate to reduce the risk of loss to a manageable level.

NOTE 4. NET INVESTMENT IN CAPITAL LEASE – LEEDS AREA SPECIAL SERVICE DISTRICT:

The Town and Leeds Area Special service District entered into a direct financing lease agreement for the lease of the fire department facilities constructed by the Town. The lease terms commenced in fiscal year 1999 and will end in May of 2027. The District pays base rentals which correspond with the debt service on the \$95,000 lease revenue bonds (see note 5).

The Town's right and interest in the facilities will be transferred to the District upon payment by the District of the then applicable purchase option price, or all of the base rentals, or upon the discharge of the lien on the indenture.

The lease is considered a capital lease under governmental accounting standards. The following is an annual schedule of future minimum lease payments receivable.

| <u>Year Ending</u> <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|----------------|
| 2007 | 2,514 | 3,667 | 6,181 |
| 2008 | 2,640 | 3,541 | 6,181 |
| 2009 | 2,772 | 3,409 | 6,181 |
| 2010 | 2,911 | 3,270 | 6,181 |
| 2011 | 3,056 | 3,125 | 6,181 |
| 2012-2016 | 17,732 | 13,173 | 30,905 |
| 2017-2021 | 22,632 | 8,273 | 30,905 |
| 2022-2027 | 19,073 | 3,396 | 22,470 |
| Totals | <u>73,331</u> | <u>41,854</u> | <u>115,185</u> |

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5. CHANGES IN LONG-TERM DEBT:

The following is a summary of changes in bonds payable of the Town for the fiscal year ended June 30, 2006:

Revenue Bonds-

| Governmental Fund Debt: | Balance 6/30/2005 | Issued | Matured | Balance 6/30/2006 |
|--------------------------------|------------------------------|---------------|----------------|------------------------------|
| USDA Rural Development 1997 | 75,224 | | 1,893 | 73,331 |
| Total General Fund Debt | <u>75,224</u> | <u>-</u> | <u>1,893</u> | <u>73,331</u> |

The Town's total bonded debt service at June 30, 2006 was as follows;

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|------------------|-----------------|----------------|
| 2007 | 2,514 | 3,667 | 6,181 |
| 2008 | 2,640 | 3,541 | 6,181 |
| 2009 | 2,772 | 3,409 | 6,181 |
| 2010 | 2,911 | 3,270 | 6,181 |
| 2011 | 3,056 | 3,125 | 6,181 |
| 2012-2016 | 17,732 | 13,173 | 30,905 |
| 2017-2021 | 22,632 | 8,273 | 30,905 |
| 2022-2027 | 19,073 | 3,396 | 22,470 |
| Totals | <u>73,331</u> | <u>41,854</u> | <u>115,185</u> |

Revenue Bonds at June 30, 2006 consist of the following:

USDA Rural Development, fire and rescue revenue bonds,
Series 1997, due in annual principal and interest installments
of \$6,181, bearing interest at 5%, maturing May 1, 2027.

Total Revenue Bonds payable at June 30, 2006

73,331
\$ 73,331

TOWN OF LEEDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6. RESERVED FUND BALANCES:

Reservations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2006, the Town of Leeds reserved fund balances are as follows:

| | |
|-----------------------------|------------------|
| C road funds | \$ 35,321 |
| Impact fees – Public Safety | 30,850 |
| Impact fees – Parks | <u>6,913</u> |
| Total | <u>\$ 73,084</u> |

NOTE 7. DEFINED BENEFIT PENSION PLAN:

Plan Description. The Town contributes to the Local Governmental Noncontributory Retirement System for employers with (without) Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, the Town is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The Town's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$ 2,803, \$1,324, and \$2,301 respectively. The contributions were equal to the required contributions for each year.

TOWN OF LEEDS
Notes to Financial Statements
June 30, 2006

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------|-----------|-------------------|
| Business type activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land, water rights & easements | \$ 92,006 | \$ - | | \$ 92,006 |
| Total capital assets, not being depreciated | 92,006 | - | - | 92,006 |
| Capital assets, being depreciated: | | | | |
| Buildings | 62,211 | | | 62,211 |
| Other improvements | 124,451 | 7,764 | | 132,215 |
| Furniture & equipment | 43,386 | | | 43,386 |
| Infrastructure | 643,742 | 91,340 | | 735,082 |
| Total capital assets, being depreciated | 873,790 | 99,104 | - | 972,894 |
| Accumulated depreciation for: | | | | |
| Buildings | 34,937 | 3,685 | | 38,622 |
| Other improvements | 32,236 | 6,984 | | 39,220 |
| Furniture & equipment | 11,832 | 4,209 | | 16,041 |
| Infrastructure | 589,702 | 4,568 | | 594,270 |
| Total accumulated depreciation | 668,707 | 19,446 | - | 688,153 |
| Total capital assets, being depreciated, net | 205,083 | 79,658 | - | 284,741 |
| Governmental activities capital assets, net | \$ 297,089 | \$ 79,658 | \$ - | \$ 376,747 |

Depreciation was charged to functions as follows:

| | |
|--------------------|-----------|
| General government | \$ 5,104 |
| Public safety | 2,740 |
| Public works | 8,750 |
| Parks & recreation | 2,852 |
| Total | \$ 19,446 |

TOWN OF LEEDS
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2006

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|------------------|------------|-------------------|---|
| | Original | Final | | |
| Budgetary fund balance, July 1 | \$ 287,464 | \$ 287,464 | \$ 287,464 | \$ - |
| Resources (inflows): | | | | |
| Property taxes | 44,400 | 45,900 | 45,625 | (275) |
| Sales and use taxes | 51,600 | 63,000 | 73,807 | 10,807 |
| Franchise taxes | 3,700 | 3,500 | 2,338 | (1,162) |
| Licenses and permits | 27,000 | 45,085 | 46,170 | 1,085 |
| Lease income | 6,181 | 6,181 | 6,181 | - |
| Interest earnings | 8,200 | 9,650 | 16,279 | 6,629 |
| Fines & forfeitures | 3,600 | 1,855 | 2,333 | 478 |
| Solid waste services | 35,200 | 35,000 | 36,876 | 1,876 |
| Impact fees | 29,200 | 16,000 | 14,000 | (2,000) |
| Cemetery | 1,400 | 3,730 | 4,378 | 648 |
| Donations and other revenues | 5,300 | 7,070 | 13,948 | 6,878 |
| Liquor fund allotment | 200 | 835 | 836 | 1 |
| "C" road revenue | 23,200 | 16,945 | 20,130 | 3,185 |
| Amounts available for appropriation | 526,645 | 542,215 | 570,365 | 28,150 |
| Charges to appropriations (outflows): | | | | |
| General government | | | | |
| Professional fees | 22,200 | 31,000 | 29,695 | 1,305 |
| Building inspection | | 13,036 | 13,426 | (390) |
| Elections | | 1,750 | 1,730 | 20 |
| Liability insurance | 9,600 | 10,000 | 9,992 | 8 |
| Legislative | 1,500 | 4,000 | 3,515 | 485 |
| Administration | 46,200 | 69,175 | 67,607 | 1,568 |
| Planning & zoning | | - | 568 | (568) |
| Total general government | 79,500 | 128,961 | 126,533 | 2,428 |
| Public safety - police | 17,900 | 19,100 | 17,705 | 1,395 |
| Public works - parks | 2,000 | 21,150 | 16,937 | 4,213 |
| Public works - parks construction | 8,700 | 8,000 | 7,764 | 236 |
| Public works - streets | 3,700 | 11,000 | 9,506 | 1,494 |
| Public works - street construction | 59,100 | 98,000 | 91,340 | 6,660 |
| Sanitation | 29,400 | 33,500 | 30,702 | 2,798 |
| Cemetery | 900 | 2,000 | 1,920 | 80 |
| Debt service | 6,181 | 6,181 | 6,181 | - |
| Total charges to appropriations | 207,381 | 327,892 | 308,588 | 19,304 |
| Budgetary fund balance, June 30 | \$ 319,264 | \$ 214,323 | \$ 261,777 | \$ 47,454 |

The notes to the financial statements are an integral part of this statement.

**TOWN OF LEEDS
PUBLIC SAFETY FACILITY
IMPACT FEES TRACKING**

| | Fiscal Year Ended June 30, | | | | | |
|------------------------|----------------------------|---------|----------|--------|--------|--------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Beginning Cash Balance | 3,000 | 10,500 | 12,900 | 5,775 | 12,525 | 24,475 |
| Inflows | | | | | | |
| Impact Fees Collected | 7,500 | 6,750 | 3,875 | 6,750 | 11,950 | 6,375 |
| Outflows | | | | | | |
| Police Station | | (4,350) | (11,000) | | | |
| Ending Impact Balance | 10,500 | 12,900 | 5,775 | 12,525 | 24,475 | 30,850 |

Proposed 2007 Projects
Proposed projects as identified in the Town's Capital Facilities Plan for Public Safety

**TOWN OF LEEDS
PARKS FACILITY
IMPACT FEE TRACKING**

| | Fiscal Year Ended June 30, | | | | | |
|-------------------------------|----------------------------|-------|--------|----------|---------|---------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Beginning Cash Balance | | | | | | |
| Inflows | | | | | | |
| Impact Fees Collected | (5,467) | 1,033 | 7,533 | 11,433 | (1,923) | 7,177 |
| | 6,500 | 6,500 | 3,900 | 4,025 | 9,100 | 7,500 |
| Outflows | | | | | | |
| | | | | (17,381) | | (7,764) |
| Park Improvemnts | | | | | | |
| Total | 1,033 | 7,533 | 11,433 | (1,923) | 7,177 | 6,913 |

2007 Proposed Projects
Park improvements \$5,000